

**MINUTES OF THE  
JOINT PUBLIC EDUCATION APPROPRIATIONS SUBCOMMITTEE MEETING  
WEDNESDAY, JANUARY 21, 2009,  
Room 445, State Capitol**

**Morning**

**Afternoon**

Members Present:	Sen. Howard A. Stephenson, Co-Chair Rep. Merlynn T. Newbold, Co-Chair Sen. D. Chris Buttars Sen. Karen W. Morgan Rep. Kevin S. Garn Rep. Francis D. Gibson Rep. Gregory H. Hughes Rep. Bradley G. Last Rep. Rebecca D. Lockhart Rep. Ronda Rudd Menlove Rep. Marie H. Poulson	Sen. Howard A. Stephenson, Co-Chair Rep. Merlynn T. Newbold, Co-Chair Sen. D. Chris Buttars Sen. Karen W. Morgan Rep. Kevin S. Garn Rep. Francis D. Gibson Rep. Bradley G. Last Rep. Rebecca D. Lockhart Rep. Ronda Rudd Menlove Rep. Marie H. Poulson
Members Excused:	Rep. Tim M. Cosgrove Rep. Lorie D. Fowlke Rep. Phil Riesen	Rep. Tim M. Cosgrove Rep. Lorie D. Fowlke Rep. Phil Riesen
Members Absent:	Sen. Lyle W. Hillyard	Rep. Gregory H. Hughes
Staff Present:	Ben Leishman, Legislative Fiscal Analyst Patrick Lee, Legislative Fiscal Analyst Karen C. Allred, Secretary	
Public Speakers Present:	Dixie Allen, Vice Chair, State Board of Education Greg Haws, Chairman, Finance Committee, State Board of Education Larry Shumway, Deputy Superintendent, Utah State Office of Education Todd Hauber, Associate Superintendent, Utah State Office of Education Patty Harrington, State Superintendent, Utah Office of Education Dee Larsen, Associate General Counsel, Office of Legislative Research and General Counsel Dave Thomas, Finance Committee Vice Chair, State Board of Education Timothy Smith, Interim Superintendent, Utah Schools for the Deaf and Blind Michael Sears, Finance Director, Utah Schools for the Deaf and Blind Madlyn Runburg, Museum of Natural History, Representative, iSEE Shirley Ririe, Representative, POPS Brent Haymond, Representative, POPS Jim Wall, Publisher, Deseret News, on the Executive Committee of Utah Symphony and Utah Opera Todd Halvers Ron Barlow, Superintendent, Tintic School District Jim Sorenson Beverley Taylor Sorenson	

A list of visitors and a copy of handouts are filed with the Subcommittee minutes.

Co-Chair Merlynn T. Newbold called the meeting to order at 10:20 am.

1. **Approval of Minutes** – the minutes will be approved in the afternoon session.
2. **State Board of Education Report on Budget Reduction Impacts for School Districts & Charter Schools** – Dixie Allen, Vice Chair, State Board of Education reported that they received information from the school districts and turned the time over to Greg Haws, Chairman, Finance Committee, State Board of Education.

Greg Haws reported that the districts are independently elected bodies, and the school board doesn't pretend to speak for them, but they all share the responsibility. The school board wanted to make the budget cuts proportionate, and they will report to the committee today on how these cuts will filter down to the individual school districts. Mr. Haws turned the time over to Larry Shumway, Associate Superintendent, Utah State Office of Education and Todd Hauber, Associate Superintendent, Utah State Office of Education for a presentation.

Mr. Shumway reported that the school districts and charter schools were to proceed as if their budget were cut 7.5%. Two scenarios were collected, one at 7.5% and one at 4.5%.

Todd Hauber contacted all of the superintendents and business officials throughout the state, as well as the directors and board members of the charter schools to collect this information from them. Today they are reporting on the 4.5% scenario. The proportions are the same for both scenarios, the 7.5% just has more of those proportions being cut. The responses ranged from the very specific to general approaches and strategies that could be used to the end of the year without going in the red.

Mr. Shumway recognized and appreciated the great effort the districts and charter schools went to in order to put together this report on such a short time line. Four areas were identified that will be challenging in terms of state rule or statute. The first is flow of funds between Capital and Maintenance and Operation. In some cases, schools would prefer to postpone a maintenance issue and maintain programs, but current statute limits them in that ability. The board recommends the committee consider providing some provision to allow this choice. The second is the discussion of shortening the school year. The board has a rule of a certain number of instructional hours. This only has a budget effect if you also have the corresponding reductions in total compensation. The third item is the general employment contracts. The board has done careful review of statute that governs these contracts, and the way the statute reads, there is a provision for reduction in force, but not a reduction for individual compensation. The school board feels that in order to reduce school days, and thus reduce compensation, it would not fall in the provisions of the statute. The fourth item is the flexibility in local taxing authority. If the current structure of property tax were to be in place this year and next, the ability to reallocate elements of levies would provide additional flexibility for districts without changing the impact of tax structure on local citizens.

Mr. Hauber discussed the proposals from the schools. The first analysis is the comparison between “above” and “below” the line and also funds coming from reserves. Programs “above” the line receiving the largest proposed cut are in the grades 1-12 at just under \$10 million, which is money for compensation, school activities, and regular operations in the school. Programs “below” the line receiving the largest proposed cut are the performance pay program at just over \$1.6 million, followed by the quality teaching program at just over \$1 million.

Rep. Newbold questioned how these number were calculated. The response was that the school districts proposed budget cuts were added together.

Mr. Hauber continued that another way to look at the budget reductions is to actually review the operations and find out where within the school program you would see the reductions. Primarily the instruction was to not affect teacher compensation and to avoid reductions in the classroom, but in some cases that is not possible. The largest category of reduction is in supplies and materials at approximately \$8.5 million, followed by reserves at \$7 million. The cuts reflected in personnel reductions are largest in the support staff at 30 fewer full time employees, followed by teachers at just under 15 FTE, and administration being affected as well.

Rep. Last questioned if this information is state wide. The response was that these were provided state wide as far as what could be identified from the details the board was given.

Mr. Shumway commented that one of the things that needs to be understood is that every program is people. Mr. Shumway discussed the one-time reductions that were submitted by the districts. The first one-time reduction is to access reserves with a proposed total of just over \$9 million. Another one-time reduction is to reduce schools days. Nine school districts and three charter schools proposed this possibility. The impact on that, in some ways, is the most direct possible impact on the classroom. Another option discussed was rather than reducing school days, reduce the quality teaching block grant days. The last one-time reduction is to delay or cancel capital projects which only works if you create the transferability between the capital funds and the maintenance and operation funds. Mr. Shumway discussed the difference between charter schools and school districts. Charter schools have less available reserves, smaller capital budgets, reduced more in personnel and benefits, reduced more “above the line” and reduced proportionally fewer teachers.

Sen. Buttars questioned what is the total of the different categories in the reserves. The response was that the total undistributed reserves in the districts across the state is just under \$100 million. That is enough to run the schools for about 6 days. Sen. Buttars questioned whether they had the other reserve totals. The response was that they don’t have that available at the moment, but would get that information.

Mr. Shumway continued that some alternative proposals were to defer capital expenditures, capture carryover funds, use reserves, and eliminate recently added state programs not fully implemented, reduce programs with heavy mandates, reduce recently implemented district initiatives and to try to increase revenues. Mr. Shumway stressed the idea of providing some way of looking for revenue.

Rep. Newbold asked for some examples of programs with heavy mandates. The response was that on the federal side there is special education with heavy mandates, but couldn't think of any specific examples on state mandates. Rep. Newbold asked the board to think about some.

Sen. Buttars asked if the school board had identified any programs that could be eliminated. The response was that when they made the requests of the districts, each of the districts identified specific programs. Page 2, the bottom slide of the handout lists some identified programs. Sen. Buttars questioned what the Hawkwatch International is, which is on a different handout he was looking at. Analyst Ben Leishman responded that it is part of the Science Outreach programs and the money for it does not go to the school districts. The legislature would have to approve a cut in this program, the districts do not have control of this money.

Rep. Gibson questioned the difficulty of shortening the number of school days and commented on the productivity of the last week of school, or the possibility of a 4-day week, and is especially interested in closing school a week early. Superintendent Harrington responded that the state board recently reinforced that school should be held 5 days a week, 990 hours and 180 days, with the exceptions of some districts with unique circumstances. The state board has not had much consideration of shortening days yet, and much depends on the depth of the budget cut. She also commented that the heavy mandates questioned earlier are referring to the heavy reporting mandates. The mandates of reporting seem to be burdensome to many, especially charter schools. Mr. Shumway commented that whatever the last day or week of school is, the week and day before will not be as productive. Many districts are considering shortening schools, however.

Rep. Hughes questioned how Mr. Shumway would consider finding revenue. Mr. Shumway responded that whenever funds are down in families, two things are done, cut expenses and find another job. He suggested raising taxes, having local districts authorized to maintain certain tax structures that produce more revenue, using rainy day funds, or bonding. He wanted to make clear that along with cutting funds, finding more revenue is also a solution.

Rep. Newbold asked the school board to pass along the committee's appreciation for the work the school districts did in bringing this information to the committee.

3. **Discuss UCA 53A-17a-146** – Dee Larsen, Associate General Counsel, Office of Legislative Research and General Counsel was asked to explain the provision in the statute 53A-17a-146 of the Utah Code, Reduction of District Allocation Based On Insufficient Revenues. This is a default provision enacted a number of years ago to cover the situation that might arise when there is insufficient revenue, to provide flexibility as cuts are being made. Section 1(a) kicks in when reductions are made during a fiscal year because of insufficient revenue. The state board of education is then able to consult with school districts and charter schools, then reduce each school district's allocation. Section 1(b) tells how to make a proportionate reduction. Section 2 is a second degree of flexibility, at the district and charter school level determine which programs will be affected and the amount of the reduction. Section 3 allows the schools additional flexibility by allowing a specific amount in a specific line item to be waived. These default provisions can be overridden and

more flexibility beyond this provision given, if needed, or the language can be more specific if that is what the committee prefers.

Rep. Menlove questioned if this statute provision has an impact on teacher contracts. Mr. Larsen responded that this statute is a level above that, it may have an indirect impact allowing school districts flexibility to transfer between line items, but doesn't directly influence any particular program. Rep. Menlove questioned if there was anything in statute that impacts the contracts. Mr. Larsen responded that he is not aware of any, contracts are more of a local issue.

Sen. Stephenson commented that as the chairs have discussed this issue, the committee could restrict flexibility, but the chairs feel that the school districts should have maximum flexibility in deciding how reductions are to be made. The committee needs to recognize the challenge the charter schools and districts have and give them maximum flexibility.

Rep. Last commented that section 3 in the statute provision gives the districts ultimate flexibility and implies that one line item can be moved to another. Mr. Larsen responded that there may be related programs that need to be looked at. If the committee can tell Mr. Larsen what they would like accomplished, he can take a look at it and try to make it happen.

Sen. Buttars asked if this statute provision is like waiving the rules and the committee can do what they want. Mr. Larsen responded that there is a balancing act, and the statute is a default provision that if the Legislature cuts appropriations during a fiscal year, then certain rules will automatically be waived. If the committee wants the rules to be more or less flexible then the committee needs to override this default.

Rep. Newbold asked if that needs to be done with statute change or intent language within the bill. Mr. Larsen responded that it needs to be done with statutory language, it is done in the appropriations in statutes.

Sen. Stephenson questioned if in the statute it is implied that when funding is restored, the areas cut would be the first to be refunded back. Mr. Larsen responded that this statute deals with budget cutting, there is not really anything implied as revenues increase, and those decisions are the choice of the committee.

Rep. Garn commented that the biggest issue in this committee is the FY09 budget, and that most of the budget goes to salary. He wonders how much flexibility the districts have in the salary contracts. Mr. Larsen doesn't know specifically the district contracts. If for some reason there are no cuts made in the 2009 budget, if funds are used from other sources, then the trigger in this statute is not affected and would have to be done outside of this scenario. Rep. Garn wondered if there was anyone that knows the answer to the question. Mr. Shumway responded that Chapter 8 in Title 53A case law states that a reduction in salary is the same as termination in procedural matters. In that chapter there is a provision for staff reduction, if necessary, because of a variety of things including a reduction of revenue. There is nothing that allows for reduction in salary. Rep. Garn questioned if salaries can be reduced in the districts. The response from Mr. Larsen was that he doesn't know about

district level, but not in State law. Dave Thomas responded that he has been looking for the answer to that question, and from what he can see it doesn't exist in the contract, to be renegotiated for FY09. Rep. Garn stated that may be somewhat of a flaw, because all contracts ought to be subject to appropriations, and it puts the committee in a difficult position. At some point he would like a true sense of what these budget cuts will do.

Sen. Stephenson questioned if any district has a contract that goes more than one year. Superintendent Shumway responded that the statute limits it to a 5 year contract. He knows that each district negotiates every year, but doesn't know if they negotiate the umbrella contract. He asked if any superintendents have a contract that goes longer than a year. No one commented.

Rep. Last asked Mr. Thomas if voluntary renegotiations of contracts was possible. Mr. Thomas responded that voluntary renegotiations of contracts are allowed, but everyone would have to agree together.

4. **Agency Reports on Budget Reduction Impacts -- Utah State Office of Education.** Superintendent Harrington distributed a handout and explained that the Utah State Office of Education is different than schools. The handout represents cuts in all areas of their agency of 7.5%. There is a difference in percentages because some items are tightly tied to the success of schools, such as curriculum, and others are more expendable with a deeper budget cut in their program.

**Utah Schools for the Deaf and the Blind --** Timothy Smith, Interim Superintendent, Utah School for the Deaf the and Blind expressed appreciation to the committee for listening to them. The USDB is the State's school for those with sensory loss, they are statewide, have approximately 2300 students, which are housed in different facilities consisting of self-contained facilities, local school districts and homes. The impact of cuts would stretch state

wide. He introduced Michael Sears, Finance Director, USDB to explain the impact of those cuts.

Mr. Sears referred to a handout given out last week by the analysts which shows a reduction in the extended year program, reducing kitchen staff contracts, reducing travel, restructuring administration in education programs and reducing FTE in instructional services and support services. Next year these cuts will be magnified and they will have to eliminate their residential and athletic programs, as well as making additional transportation cuts.

**Science Outreach (iSEE) --** Madlyn Runburg, Museum of Natural History representing the iSEE groups explained that this partnership was established more than 10 years ago and reminded the committee that the money appropriated by the committee is matched at least one to one with private funds, to provide statewide, core curriculum programs at no cost to the teachers or students. The cuts of 10.7% will be felt dramatically because of the mid year cut. These cuts will result in 350 visits that have already been planned being cancelled.

Sen. Buttars questioned what was the Hawk Watch International and the Four Corners School of Outdoor Education. Ms. Runburg responded that they are part of a RFP pool,

where an organization has to prove themselves before being part of the iSEE group. iSEE programs have a state reach, these programs have a more local reach. Hawk Watch uses birds to provide professional development. Jayceen Craven Walker, Four Corner School of Outdoor Education, responded that it is an organization that provides teacher training to teach the core about the Four Corners area.

**Art Outreach (POPS)** -- Shirley Ririe, representative, POPS, Brent Haymond, representative POPS, and Jim Wall, publisher Deseret News, member of executive committee, Utah Symphony and Utah Opera, introduced themselves. Mr. Wall expressed appreciation to students and teachers who have used their program. They have public funds and private funds, and they use them wisely, and will do everything they can to not have a reduction in programs. Ms. Ririe commented that the arts are a mandated core in the state of Utah and are also a mandated core in No Child Left Behind, a national program. In most of the schools in Utah the arts are not taught in the elementary schools because there are no specialists in the school, except the Beverley Sorenson specialists instituted last year. The outreach programs are trying to have in depth instruction in the schools, even if it is just one form. Mr. Haymond mentioned that last year they were given an increase of 10% (\$1300 at Springfield Museum of Art, which was matched). The rural areas will suffer most because of the amount of travel to get to those areas.

A previously requested handout on the reserve balances from the State Office of Education was distributed and Todd Hauber explained the unreserved undesignated fund balance of the 2006-2007 statewide balance sheet. These are funds that have a 5% restricted amount and to use those funds requires an action of the board. The balances don't always reflect who has money available. Some school districts use these funds and put them away strategically, while some have had financial trouble and have had to reduce their reserves.

Sen. Buttars commented that the USOE was also going to give the committee a report on Capital Project reserves. He will have that available later.

Rep. Newbold wanted to excuse Rep. Fowlke, Rep. Riesen and Rep. Cosgrove from the meetings today.

Ron Barlow, Superintendent, Tintic School district wanted to explain to the committee the frustration of being a small school district. They have been experiencing cuts for the past 7 years. The student population in his district has decreased, they have gone through 3 formal RIF procedures, a number of attrition procedures, they have reduced benefits to their employees. These are the reasons this school district has requested the budget reduction option of reducing the school year four days, and they need the flexibility to make the cuts the best way they can.

Jim Sorenson introduced his mother, Beverley Taylor Sorenson, and explained the benefits of the Beverley Taylor Sorenson Arts Learning program. In 2008 legislation was passed to set aside one-time money for integrated fine arts education for four years. It was used in FY09, and has already been set aside for FY10, FY11 and FY12. This program has reached a point of maturity and it would be terrible to lose momentum. In the last meeting the handout distributed proposed eliminating this program, and Mr. Sorenson feels all programs

should be cut, not one program eliminated. Mrs. Sorenson expressed appreciation for the many people who have come together to make this program possible.

Rep. Hughes commented that this program is a way to deliver core curriculum and success in the classroom, and asked for explanation on a study being done to show how the arts help students. Mr. Sorenson responded that the University of Utah has been doing this study to show if and how the arts improve participation, absenteeism, and competency of core subjects. Rep. Hughes was hoping for on-going funds for this program back in 2008, but was only able to get one-time money, and feels it would be short-sighted to eliminate this program.

The Co-Chairs will have their recommendations for budget reductions and a second list of how to add items back in when the committee meets this afternoon, and would like the committee to be prepared to discuss and vote on a decision.

**MOTION:** Sen. Morgan moved to recess until 1:30 p.m. this afternoon

The motion passed unanimously with Sen. Hillyard and Reps. Garn, Last and Lockhart absent for the vote.

The meeting recessed at 12:15 by Co-Chair Newbold.

The meeting reconvened at 2:05 by Co-Chair Newbold.

## **5. Approval of Minutes**

**MOTION:** Rep. Garn moved to approve the minutes of September 25 and November 21.

The motion passed unanimously with Rep. Last absent for the vote.

## **6. Adopt Budget Reduction Lists to Report to the Executive Appropriations Committee --**

A handout was distributed to the committee of the Co-Chairs' recommendations of ideas proposed for cutting the budget. Rep. Newbold explained that this is a starting place for the committee. Sen. Stephenson explained that it would be the chairs' proposal that if the cut is less than 7.5%, the components of the budget that are not administrative be increased proportionally. The administrative programs and the "other programs" would receive the 7.5% cut. The chairs feel that this recommendation is in keeping with the spirit of what has been heard from the state board and the districts, and ensures that the quality of the educational experience for students and teacher income, as far as possible, is preserved. Sen. Stephenson further explained that the chairs propose that the one-time \$20 million in performance pay, line 13, be used by holding \$15 million back, and spend \$5 million for performance pay. That helps reduce the amounts of the reductions in all the other areas. It gives the State Board the opportunity to decide how that should be allocated. Rather than giving everybody one-fourth of what they would have had, one-fourth of the applicants would receive the full amount.

Sen. Hillyard commented that the leadership in the Senate, as well as Rep. Bigelow from the



House, have asked every committee to reduce FY09 by 7.5%; then they have asked every committee to prioritize fill back, if there is any available. This makes a reduction in the base budget of 7.5%, with a one-time fill back, if available, making the start of the FY10 budget at the 7.5% reduction point. The committees have also been asked to prioritize the FY10 budget with those needing on-going revenue and those that can get by with one-time funds. This recommendation needs to be clear to the Executive Appropriations Committee where the sub-committees priorities are.

Sen. Stephenson noted the difference in what the chairs are recommending and how other committees are recommending. Other committees are creating a priority list, with a cumulative running total. When they find out how much is available, they are cutting off everything below that line. Our committee is attempting to give proportional reductions to certain types of classroom based funding.

Rep. Lockhart questioned why line 10 of the handout has a zero in the FY09 column. Mr. Leishman responded that the contract for that program has been awarded and the funds have been used. Since it was one-time funds, there is no reduction for FY10, and the Social Security and Retirement line was increased to accommodate there being no funds to reduce. Rep. Lockhart asked for clarification on the disparity between FY09 and FY10 list. The response was that because FY09 is just 5-6 months left in the year, so it has been pro-rated and the FY10 column shows the impact from FY09.

Rep. Garn commented that he would like to see the school districts get maximum flexibility and the one-time reduction to Social Security and Retirement gives the local school districts that flexibility. If there is money returned to the committee, it can go back into that line item.

**MOTION:** Rep. Garn moved to approve the Chairs' recommendation as shown on the handout that was distributed.

Rep. Menlove questioned what programs are with in the local discretionary block grant. Mr. Leishman responded that currently there is no designation on what programs are in that block grant. Districts can use it at their discretion. Rep. Menlove questioned if Social Security and Retirement were combined with salary, into a lump sum, what percent reduction would that be? Mr. Leishman responded that he does not know, because they have no information on salary base.

Rep. Gibson questioned whether we can accept the 7.5% base on the handout, and then prioritize those programs that we would like to see come back if there is a back fill. The response was yes, that is what the chairs recommend, but the committee can do what ever they feel is best.

Rep. Newbold questioned Sen. Garn if his motion included that we prioritize back as recommended by the chairs, as well. Sen. Garn's response was yes it did.

Sen. Buttars questioned if the proposal would allow us to eliminate a program. Rep. Newbold responded that the motion of the Chair's recommendation does not allow for that.

**SUBSTITUTE MOTION:** Sen. Buttars made a substitute motion that the Chair's recommendation be divided between how the budget was reduced, and the priorities of adding funds, if available, back in.

Rep. Poulsen wanted clarification from the School Board if the Chair's proposal allows the flexibility the board needs. Dixie Allen, USBE, responded that they feel it does give them the flexibility the Board needs.

Sen. Hillyard questioned if the day off of school is covered in this recommendation. Rep. Newbold responded that it doesn't override the statutory requirement of 180 days 990 hours, but the Legislature could change the statute. Sen. Hillyard questioned if the funds set aside for remedial education that were to be used for teachers to teach students to pass the tests. In the Special Session, he was told the money was there and had not been used and it was cut out. Later he heard that the funds had been committed, and action should be taken to add it back in. Had any action been taken by the committee to do that? Rep. Newbold responded that it had not been discussed. Sen. Hillyard would like that looked at.

Sen. Hillyard questioned line 66 of the handout, Sound Beginnings, was cut 28%, which is significantly higher than 7.5%, and ASSERT is cut 8.4%. Why are they cut more than the 7.5%? The Analyst's response was that the Sound Beginnings contract was put on a cost reimbursement basis, and so far this year they have been allocated about \$60,000 out of the \$300,000 that was appropriated for the program. The Analysts thought they could take a higher portion because it is unlikely that all \$300,000 would be spent, since only \$60,000 had been spent during the first half of the year. Sen. Hillyard questioned if it had been cleared with the organization. Mr. Leishman responded that he would have to clarify with the state office if there are reimbursements outstanding. Mr. Leishman commented that the ASSERT reduction recommendation was made by the USDE. Superintendent Harrington introduced Brenda Hales, Associate Superintendent over Curriculum and Instruction, who oversees the Special Education instruction, to explain. The ASSERT budget was reduced 3% during the Special Session, and they were asked to look at taking an additional 5%. The Sound Beginnings was handed in at the 7.5%, but the reimbursements had not come in quickly. Sen. Hillyard commented that if the money is available, it should be reduced, but sometimes the funds are committed and then are not there when needed.

Rep. Last, referring to Sen. Buttars' remarks, commented that programs may need to be cut, but at this point in time the local districts need the flexibility, so he feels programs being cut should be done in the FY10 year.

Sen. Morgan would like more information on the Local Discretionary Block grant and how it will impact the districts, since it is a 100% cut. In the local districts that money has been allocated, and now it will be a 100% cut through the end of the year. Superintendent Harrington commented that she is correct, that these are monies that support professionals in the field in one way or another. Mr. Leishman responded that it would eliminate the funding for the rest of the year. The funding is distributed according to a formula. Superintendent Harrington commented if Section 146 is allowed to be used, this proposed cut would then be something the local districts could be used at maximum flexibility, and can put the money where they need it most. Sen. Morgan questioned if any of the rainy day funds were being

used. Rep. Newbold responded that they were not, but the budget was just being cut at 7.5%.

Sen. Stephenson commented that this committee does not have the prerogative to find funding sources, such as the rainy day fund. They were asked to make recommendations with a 7.5% cut, and prioritize where to add back if funds were available. They were also asked to make these cuts as flexible to the local districts as possible, and that is what the Co-Chairs did in this recommendation. With the Local Discretionary there is a component of distribution that is different for the first 8% that is given to districts on an even basis, but Social Security doesn't have that factor.

Sen. Morgan commented that as a committee we have the ability to recommend using some amount of the rainy day fund to keep some of the programs whole.

Sen. Buttars withdrew his substitute motion.

Rep. Last commented that our charge as a committee is to balance the budget.

Rep. Menlove questioned the motion before us. If the amount of the budget cut is decreased, is that across all of the cuts that we are looking at on the handout? Rep. Newbold responded that it would add back in on those areas affecting classroom instruction, it would not add back in the areas affecting administration.

**SUBSTITUTE MOTION:** Rep. Menlove moved that we accept the recommendations of the Co-Chairs as noted, but if there are monies added back in the Public Education budget that those monies be added back in to one-time reduction to Social Security and Retirement (line item 9).

The motion failed, with Reps. Newbold, Garn, Gibson, and Lockhart voting in favor, and Sens. Stephenson, Buttars, and Morgan, and Rep. Poulson voting against.

The original motion passed with Sens. Stephenson, and Buttars, and Reps. Newbold, Garn, Gibson, Last and Lockhart voting in favor and Sen. Morgan and Reps. Menlove and Poulson voting against.

Rep. Newbold reported that the Co-Chairs did not prepare an FY10 recommendation.

Sen. Stephenson presented an alternative item to the subcommittee to consider. With end of year tests, one of the challenges in accomplishing that in a way that gives the results to teachers instantly is the connectivity of schools. There are several schools still to be connected with a cost of \$2-3 million. To find that money in a budget downturn will be very difficult to do. There is likely to be a bond this year for essential buildings and transportation. Sen. Stephenson has talked to Sen. Valentine, Senate Chair of the Higher Education Appropriations Subcommittee, as well as various education leaders about the proposal of expanding that bond \$2 or \$3 million. This is the future of our testing program. Sen. Stevenson wanted the committee to think about this proposal for the FY10 budget.

Rep. Newbold would like to suggest that the Co-Chairs, with the help of staff, work on an official motion to indicate how we see the money going forward and the flexibility that we would like to allow our districts. We can take a vote as a committee in our first meeting of FY10.

**MOTION:** Sen. Buttars moved to adjourn.

The motion passed unanimously with Rep. Last, Hughes, and Sen. Hillyard absent for the vote.

Co-Chair Newbold adjourned the meeting at 3:05 p.m.

Minutes were reported by Karen C. Allred

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Sen. Howard Stephenson, Co-Chair

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Rep. Merlyn T. Newbold, Co-Chair